

PUBLIC DISCLOSURE

October 19, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Athol-Clinton Co-operative Bank

90 EXCHANGE STREET
ATHOL, MASSACHUSETTS

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202

<p>This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Athol-Clinton Co-operative Bank prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

The bank's CRA rating is based on the following five performance criteria: loan to deposit ratio, lending in the assessment area, lending to borrowers of different incomes, geographic distribution of loans, and fair lending. The "Outstanding" rating consisted of a very strong loan to deposit ratio, a favorable level of mortgage lending within the assessment area, an excellent distribution of lending to households of different incomes, as well as a good geographic distribution of loans.

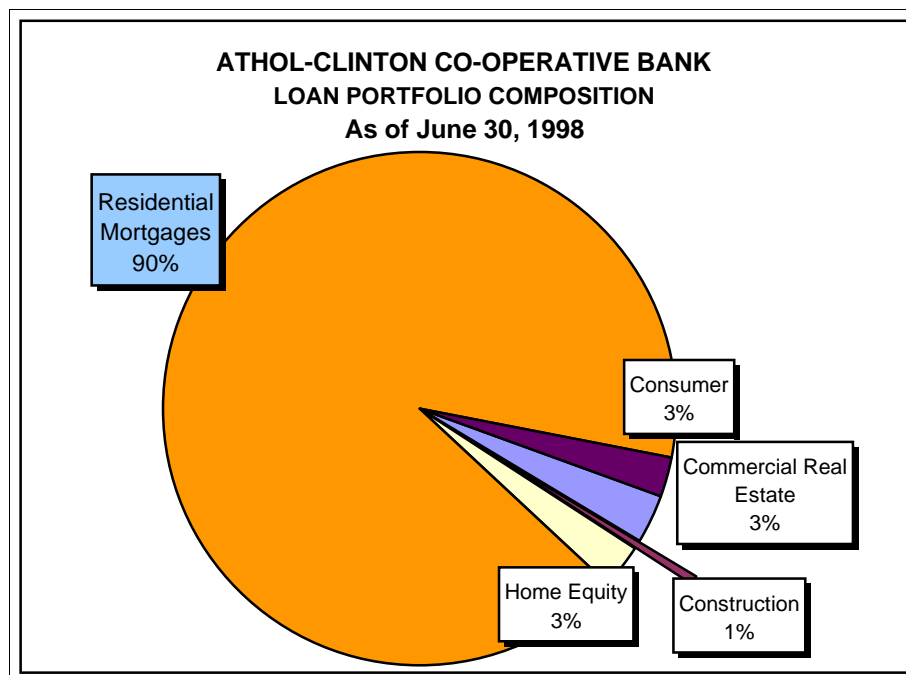
PERFORMANCE CONTEXT

Description of Institution

Athol-Clinton Co-operative Bank is a small mutual savings bank, incorporated under the laws of the Commonwealth of Massachusetts in 1964. As of the June 30, 1998, FDIC Quarterly Call Report, Athol-Clinton Co-operative Bank had assets of \$61,369,000. Of these total assets, approximately \$50,502,000 or 82.3% were in the form of loans.

Athol-Clinton Co-operative Bank is headquartered at 90 Exchange Street in Athol, Massachusetts, and operates one other full service office located in the Town of Clinton, Massachusetts. Although the bank does not maintain Automated Teller Machines (ATM) at either office, it offers its customers a debit card that allows customers access to other ATMs. The bank pays for the first five transactions per month per customer for the use of other bank ATMs. The bank's business hours are considered reasonable and convenient to the local community. The Athol office is open from 8:30am to 4:30pm on Monday through Friday, with extended hours until 6:00pm on Thursday. Saturday hours are from 8:30 am to 12pm. The Clinton office is open from 9:00am to 3:00pm on Monday through Friday, with extended hours until 5:00pm and 4:00pm on Thursday and Friday, respectively.

The bank's loan portfolio consists of residential loans, including 1 to 4 family units; multi-family units, (five or more) and home improvement loans; consumer loans, including automobile, personal, and educational loans; commercial real estate; home equity; and construction loans. Refer to the following chart for an illustration of the bank's loan portfolio distribution.



The bank was last examined for compliance with the Community Reinvestment Act by the Federal Deposit Insurance Company (FDIC) on November 24, 1997. That examination resulted in a CRA rating of "Outstanding".

Based on the bank's financial condition, size, product offerings, and branch network, there does not appear to be any legal impediments which would inhibit its ability to help meet the various credit needs of the assessment area.

Description of Assessment Area

The Community Reinvestment Act (CRA) requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Athol-Clinton Co-operative Bank's delineation consists of two assessment areas based on the two office locations. The Athol assessment area is comprised of the towns of Athol, Orange and Phillipston, none of which are located in a Metropolitan Statistical Area (MSA). The Clinton assessment area consists of the Town of Clinton, which is part of the Worcester MSA; and the Town of Lancaster, which is located in the Boston MSA.

The bank's two assessment areas have a combined population of 41,262 individuals and total households of 15,426. According to 1990 census data, there are 16,755 housing units within the bank's assessment areas. Of this total 59.7% are owner occupied units. The weighted average median value of a home in the Athol assessment area was \$97,389, with 1944 being the average median year built. The weighted average median family income was \$37,765. The Clinton assessment area's weighted average median home value was \$139,502, with 1950 being the average median year built. The weighted average median family income for the Clinton assessment area was \$43,837. These incomes are low when compared with the 1998 statewide median family income of \$54,200.

Athol-Clinton Co-operative Bank's assessment area contains nine census tracts. Only one census tract, which is located in the town of Athol, is designated as moderate-income. The remaining census tracts are middle-income.

The following tables provide demographic and economic information pertaining to the bank's assessment area.

ASSESSMENT AREA HOUSING DATA*					
CENSUS TRACTS	HOUSING UNITS	% VACANT UNITS	% OWNER-OCCUPIED	% RENTER-OCCUPIED	MEDIAN HOME VALUE
ATHOL	4,840	9.5	63.1	27.4	94,900
ORANGE	3,106	9.6	62.2	28.2	93,800
PHILLIPSTON	1,079	16.7	71.7	11.6	114,800
CLINTON	5,635	5.6	49.5	44.9	134,100
LANCASTER	2,095	8.8	69.2	22.0	160,400
TOTALS	16,755	8.6	59.7	31.7	

*Based on 1990 Census Data.

One community contact was made during the examination. The individual represented a local non-profit community development organization. The individual stated that like other communities in the Athol area the housing market is affordable. However, the growth and prosperity of the area depends on business development that would help to attract small businessmen and professionals to the depressed downtown areas.

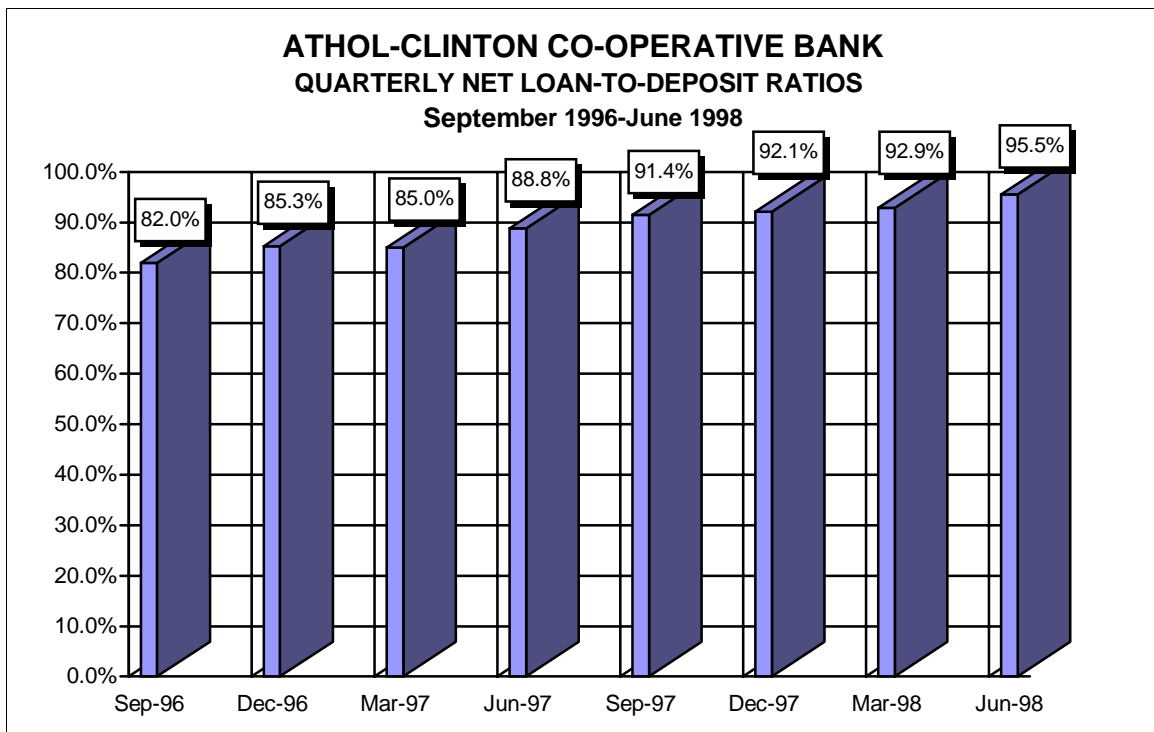
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

Given the bank's overall level of lending and supported by the upward trend of its net loan to deposits, a rating of exceeds satisfactory performance is assigned to this section of the examination.

An analysis of Athol-Clinton Co-operative Bank's loan to deposit ratio was performed. The calculation incorporated eight quarters of the bank's net loans to deposit figures as reflected in the bank's quarterly FDIC Call Reports. This review included the quarters ending September 30, 1996 through June 30, 1998.

The bank's net loan to deposit ratio, on average, was 89.1 percent during this period. This ratio has fluctuated from a low of 82.0 percent on September 30, 1996, to a high of 95.5 percent on June 30, 1998. Refer to the following graph.



Not reflected in the aforementioned analysis is the overall growth rate in net loans and total deposits. Over the period reviewed, the bank's loan growth was 8.8 percent, while total deposits decreased by approximately 7.0 percent over the same period.

A comparison of Athol-Clinton Co-operative Bank's net loans to total deposit ratio to that of local competitors was also performed. As of June 30, 1998, the institution had total assets of \$61 million, and a net to loan deposit ratio of 95.5 percent. The net loan-to-deposit ratios of local competitors are reflected in the following table.

FINANCIAL INSTITUTION	NET LOAN-TO-DEPOSIT RATIO
Athol-Clinton Co-operative Bank	95.5%
Colonial Co-operative Bank	81.5%
Clinton Savings Bank	75.5%
Athol Savings Bank	57.1%

As the preceding table indicates, Athol-Clinton Co-operative Bank's ratio of 95.5 percent as of June 30, 1998, is higher than the other area financial institutions during the same period.

Based on the above information and the bank's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, the bank's loan to deposit ratio is considered strong.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based on the following analysis of the bank's lending within its assessment area, this performance criterion has been deemed to meet the standards for satisfactory performance.

An analysis of lending inside the institution's assessment areas was performed by reviewing loans made in 1997 and year-to-date September 28, 1998. The loans reviewed consisted of residential mortgages, home improvement loans, and construction loans. These loans were evaluated to determine the amount of credit extended within the assessment area. Of particular note is the fact that the majority of the loans extended were within the Athol assessment area. By number, Athol accounted for the largest number of originations with 44.7 percent, followed by Orange with 15.9 percent. Thus, it is evident that the bank's level of support to the Athol area is significant. A further review of the bank's lending indicates less penetration within the Clinton assessment area (6.2 percent of total originations).

During this period, the bank originated 421 residential mortgages totaling approximately \$26,642,000. Of this amount, 292 loans, or 69.4 percent of the number were originated in the bank's assessment area.

Refer to the following tables for additional information regarding the bank's residential mortgage lending, by both number and dollar amount.

Table 2a

RESIDENTIAL LOANS ORIGINATED BY NUMBER						
	1997		1998*		TOTALS	
LOCATION	#	%	#	%	#	%
Athol	91	46.9	97	42.7	188	44.7
Orange	37	19.1	30	13.2	67	15.9
Clinton	6	3.1	13	5.7	19	4.5
Phillipston	5	2.6	6	2.6	11	2.6
Lancaster	3	1.5	4	1.8	7	1.7
INSIDE ASSESSMENT AREA	142	73.2	150	66.0	292	69.4
OUTSIDE ASSESSMENT AREA	52	26.8	77	34.0	129	30.6
TOTALS	194	100.0	227	100.0	421	100.0

Source: Bank Loan Data

*Year-to-Date September 28, 1998

Table 2b

RESIDENTIAL LOANS ORIGINATED BY DOLLAR AMOUNT						
	1997		1998*		TOTALS	
LOCATION	\$(000)	%	\$(000)	%	\$(000)	%
Athol	3,777	34.6	5,276	33.1	9,053	34.0
Orange	2,192	20.1	2,000	12.5	4,192	15.7
Clinton	554	5.1	1,210	7.6	1,764	6.6
Phillipston	458	4.2	315	2.0	773	2.9
Lancaster	242	2.2	512	3.2	754	2.8
INSIDE ASSESSMENT AREA	7,223	66.2	9,313	58.4	16,536	62.0
OUTSIDE ASSESSMENT AREA	3,689	33.8	6,632	41.6	10,321	38.0
TOTALS	10,912	100.0	15,945	100.0	26,642	100.0

Source: Bank Loan Data

*Year-to-Date September 28, 1998

As depicted in the above tables, the majority of the bank's residential mortgages by both number and dollar amount have been extended within the bank's assessment areas. Since 69.4 percent of the bank's lending is within both assessment areas, the overall performance under this criterion is considered solid .

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

Since most of the bank's assessment area is composed of non-MSA areas, a sample of loans was used to determine the distribution of lending by borrower income level. Considering that 90 percent of the bank's lending is from the Athol assessment area, more weight was given to this area. Based upon this analysis the bank's performance exceeds the standards of satisfactory performance.

Low-income is defined by the U.S. Census Bureau as income below 50 percent of the median family income level for the MSA; moderate-income is defined as 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income at or greater than 120 percent of the median family income.

The sample of loans originated within the bank's assessment area was categorized by the ratio of the borrower's reported income to Department of Housing and Urban Development (HUD) adjusted median family incomes that are represented in the assessment area. In 1997 the Massachusetts non-MSA median family income was \$44,900, and remained the same in 1998. The median family income for the Boston MSA was \$59,600 in 1997 and \$60,000 in 1998. Finally, the median family income for the Worcester MSA was \$51,000 in both 1997 and 1998.

The following tables provide breakdowns of a sample of the residential mortgage originations within the Athol assessment area, by both number and dollar amount, according to borrower income level. Approximately 20.0 percent of the originations were reviewed.

Table 3a

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Number)						
% OF MEDIAN MSA INCOME	1997		1998*		TOTALS	
	#	%	#	%	#	%
<50%	2	6.4	5	14.3	7	10.6
50%-79%	7	22.6	11	31.4	18	27.3
80%-119%	12	38.7	10	28.6	22	33.3
120%>	10	32.3	9	25.7	19	28.8
TOTALS	31	100.0	35	100.0	66	100.0

Source: Loan File Data

*Year-to-Date September 28, 1998

As the above table suggests, the bank has been particularly successful in reaching moderate-income borrowers who account for 27.3 percent of all loans originated. Middle-income borrowers accounted for 33.3 percent of loan originations. The bank was also successful in lending to low income borrowers as well, with 10.6 percent of loans made to individuals in that income category.

This analysis focuses on the Athol assessment area since this area represents the majority of loans originated (63.2 percent) during the period reviewed. In this area, approximately 10 percent of low-income families are below the poverty level. The weighted average of median housing cost is \$97,389. In light of these statistics, the bank's lending to low-income families at 10.6 percent is significant.

Table 3b

RESIDENTIAL LOANS ORIGINATED BY INCOME OF BORROWER (Dollar Amount)						
% OF MEDIAN MSA INCOME	1997		1998*		TOTALS	
	\$(000)	%	\$(000)	%	\$(000)	%
<50%	75	4.0	151	7.8	226	5.9
50%-79%	300	15.8	415	21.3	715	18.6
80%-119%	688	36.2	728	37.4	1,416	36.8
120%>	834	44.0	654	33.6	1,488	38.7
TOTALS	1,897	100.0	1,948	100.0	3,845	100.0

Source: Loan File Data

*Year-to-Date September 28, 1998

An analysis of the sample loans of the Clinton assessment area revealed that 18.2 percent by number, and 9.2 percent by dollar amount of the loans were extended to low- to moderate-income borrowers. This performance appears to be consistent with the demographics of this area.

Based on the sample of originations, the above distribution of lending demonstrates the bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income. Given the demographics of the bank's assessment area, this borrower distribution reflects a strong penetration among individuals of different income levels.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

This performance criterion evaluates the institution's record of addressing the credit needs of its assessment area based on the geographic distribution of loans. As noted in the previous criterion, the majority of loans were extended in the Athol assessment area. Therefore, primary consideration was given to this area since it represented a diverse distribution of census tracts by income. The Clinton assessment area was not included in this analysis as all census tracts within this area are middle-income tracts.

A rating of exceeds the standards of satisfactory performance is assigned to this category.

An analysis of the number of residential mortgage and home improvement loans originated among the various census tracts contained in the bank's assessment area, was conducted. The Athol assessment area consists of the towns of Athol, Orange and Phillipston. There are a total of five census tracts in Athol, four of which are middle-income and one of which is moderate-income. The analysis of the Athol assessment area revealed that 27.3 percent of the loans were originated within the moderate-income tract.

The following tables provide a breakdown (by number and dollar amount) of the loan sample of residential mortgage originations by census tract income level within the Athol assessment area.

Table 4a

RESIDENTIAL LOANS BY CENSUS TRACT (Number)								
CENSUS TRACT INCOME CATEGORY	Owner-occupied Properties		1997		1998*		TOTALS	
	#	%	#	%	#	%	#	%
Moderate	1,075	18.7	7	22.6	11	31.4	18	27.3
Middle	4,684	81.3	24	77.4	24	68.6	48	72.7
TOTAL	5,759	100	31	100	35	100	66	100

Source: HMDA/LAR Data

*Year-to-Date September 28, 1998

Table 4b

RESIDENTIAL LOANS BY CENSUS TRACT (Dollar Amount)								
CENSUS TRACT INCOME CATEGORY	Owner- occupied Properties		1997		1998*		TOTALS	
	#	%	\$(000)	%	\$(000)	%	\$(000)	%
Moderate	1,075	18.7	293	15.4	562	28.8	855	22.2
Middle	4,684	81.3	1,604	84.6	1,386	71.2	2,990	77.8
TOTAL	5,759	100.	1,897	100.	1,948	100.	3,845	100.

Source: HMDA/LAR Data

*Year-to-Date September 28, 1998

As shown above, the penetration of the moderate-income tract in Athol reflects the bank's readiness to avail itself of any opportunity to serve its community. Of particular interest, is the consistency of the distribution of loans given the demographics of the bank's assessment area.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

A thorough review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination. If such complaints or comments are received, however, management is encouraged to record the date of these correspondences.

Fair Lending Policies and Practices

On September 29, 1997, the Board of Directors adopted an Equal Credit Opportunity Act and Fair Lending Policy for the purpose of ensuring all credit applicants receive fair and equal treatment. Detailed below is the bank's fair lending performance as it correlates to the guidelines established by the Division's fair lending policy (Regulatory Bulletin 2.3-101).

STAFF TRAINING

Bank employees have attended various seminars involving CRA and Compliance issues.

STAFF COMPOSITION AND COMPENSATION

As of this examination, the bank employs twenty full time employees and one part time employee. There are no minority employees. In addition, the bank employs two loan officers who are paid on a salary basis thus encouraging loans of all dollar amounts.

OUTREACH

The bank's officers and employees are active in many civic, community and religious organizations that focus on neighborhood stability and community development. These organizations include but are not limited to the Salvation Army, United Way, Millers River Community Development Corporation, Athol and Clinton Chamber of Commerce, Athol-Orange Industrial Development Commission, and local realtors and builders.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The bank offers in-house mortgage and mortgage loans that are sold on the secondary market. Most loans are underwritten to secondary markets guidelines.

MARKETING

Advertising efforts are designed to keep the bank visible within its market, to maintain and increase its customer base, and to inform all segments of the communities it serves of the products and services offered.

In its efforts to market its services to the community, the bank utilizes newspapers such as The Athol Daily News, The Athol/Orange Town Crier, and The Item. In addition, the bank occasionally promotes its products and services on local radio station *WCAT-FM* in Orange.

CREDIT EDUCATION

The bank has not sponsored or participated in any credit education programs over the past two years.

COUNSELING

The staff of the bank's loan servicing department have been trained to provide counseling and service to delinquent customers. In addition, the bank refers individuals experiencing financial difficulties to the Consumer Credit Counseling Bureau in Worcester.

SECOND REVIEW PRACTICES

The bank does not have any second review policy in place. According to the CRA/Loan Officer, loan applications are discussed and opinions sought from loan employees.

INTERNAL REVIEW PROCEDURES

The bank has an annual contract with Coclin Associates Inc. an outside auditor who performs various internal audits on a monthly basis.

MINORITY APPLICATION FLOW

The Division also reviewed the number of applications received from minority applicants. For the calendar year 1997 and year-to-date September 28, 1998, the bank received a total of two mortgage applications from minority groups (one Native American, one Asian). This represented approximately 0.5 percent of all residential mortgage applications received during the period. Given the demographics of the bank's assessment areas (6.5 percent of minorities), the minority application flow appears to be somewhat low.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

Athol-Clinton Co-operative Bank

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 19, 1998**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____